



City Councilmember
Carl DeMaio

News Release

DeMaio Applauds Reform of City Business Tax Programs

City to Refund Fees and Commits to Take Up Additional Tax Reforms

FOR IMMEDIATE RELEASE
Tuesday, September 22, 2009

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SAN DIEGO – City Councilmember Carl DeMaio today announced progress on his efforts to reform the city's notorious small business and rental tax programs. With two 7-0 votes and a 5-2 vote, DeMaio gained City Council approval for a battery of reforms to the small business and rental tax programs.

As part of DeMaio's proposal, the City Council agreed to not appeal a recent landmark court decision that deemed the city's imposition of fees on top of a tax as a practice of "double taxation." The City Attorney will now bring forward a resolution repealing the city's current practice of imposing fees to collect both small business and rental business taxes – and the City Treasurer was also instructed to bring forward additional options for reforming the city's tax practices.

Most importantly, DeMaio won approval of "refunds" for any individuals that paid the rental tax fee in the past 12 months – a fee rebate for more than 75,000 San Diegans that is collectively worth up to \$1 million.

"Today is a big victory for San Diego's small businesses and homeowners. The City must now reform its troubled tax programs to comply with the law – and more importantly to provide some much-needed relief to our small businesses struggling in this tough economy," noted DeMaio.

It was suggested that the city should force residents owed the credit to file a "claim" with the city, but DeMaio opposed this approach as a thinly veiled attempt to avoid repaying the fees that the court had deemed "illegal." The City Treasurer's office has estimated that the "claims" process would cost the city budget \$30 in processing fees to respond each claim – a potential budget hit of \$2.2 million.

Explaining the need to issue refunds on a pro-active basis, DeMaio explained "Returning these illegally collected fees is not only the right thing to do, it turns out to be the most budget-friendly thing to do."

In January 2009, DeMaio highlighted problems with both tax programs and laid out a four-point reform plan that included elimination of the fees. In July, the Fourth District Court of Appeals ruled in the Weisblat lawsuit that the rental tax program imposed illegal fees amounting to "double taxation."

DeMaio noted his efforts to help small businesses will not end with approval of these initial reforms. He pledged to offer additional reforms once the City Treasurer brings forward the requested report on options for changing the tax programs further. "While City Council approval on these reforms is a win, we must continue to push for more reforms to make our city government more responsive and supportive of our small businesses," DeMaio concluded.

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